

Message Text

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PAGE 01 SEOUL 03314 210641Z
ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 COME-00 STR-07 TRSE-00
OMB-01 ITC-01 AGRE-00 CIAE-00 INR-10 NSAE-00
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FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 0619
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AMCONSUL HONG KONG
USMISSION GENEVA

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HONG KONG FOR REGFINATT; GENEVA FOR USDEL MTN

E.O. 11652: N/A
TAGS: ETRD EFIN KS JA
SUBJ: KOREAN GOVERNMENT MEASURES TO REDUCE TRADE DEFICIT WITH JAPAN

REFS: A. SEOUL 1123 (NOTAL), B. SEOUL 1258 (NOTAL),
C. SEOUL 3223, D. 77 SEOUL 3998 (NOTAL)

1. BEGIN UNCLASSIFIED-IN WAKE OF CURRENT IMPORT
LIBERALIZATION MEASURES (REF C), ONE OF THE MAJOR CONCERNS
OF THE KOREAN GOVERNMENT IS TO PREVENT THE JAPANESE FROM
REAPING ALL OF THE BENEFITS, FURTHER EXACERBATING THE EVER-
GROWING TRADE IMBALANCE BETWEEN THE TWO COUNTRIES (\$1.8
BILLION IN JAPAN'S FAVOR IN 1977). IN ADDITION TO PUTTING
PRESSURE ON MAJOR TRADING FIRMS TO DIVERSIFY THEIR SOURCES
OF SUPPLY AWAY FROM JAPAN (REF B AND OTHERS), ROKG IS IN
THE PROCESS OF IMPLEMENTING CERTAIN FINANCIAL CONTROLS
DESIGNED ESSENTIALLY TO MAKE IT MORE DIFFICULT TO BUY
FROM JAPAN ON CREDIT.

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2. FIRST MEASURE, RECENTLY IMPLEMENTED, IS AIMED AT
SHORT-TERM CREDITS (E.G. D/A AND USANCE CREDITS) FOR
IMPORTS FROM "COUNTRIES WITHIN A DISTANCE OF 10 DAYS'
NAVIGATION". REPAYMENT PERIOD FOR SUCH CREDITS IS
REDUCED FROM THE STANDARD 90 DAYS TO 60 DAYS.

3. SECOND MEASURE, APPARENTLY IMMINENT, IS AIMED AT

LOCAL (WON) CURRENCY LOANS AVAILABLE FOR THE IMPORT OF MAJOR RAW MATERIALS. IN CASES WHERE SUCH LOANS ARE FOR IMPORTS FROM "COUNTRIES WITHIN A DISTANCE OF 10 DAYS' NAVIGATION", MATURITY WILL BE REDUCED FROM THE STANDARD 180 DAYS TO BETWEEN 120-150 DAYS. (COMMENT: THOUGH REGULATIONS ARE CAREFULLY WORDED TO AVOID DISCRIMINATING EXPLICITLY AGAINST JAPANESE IMPORTS, THAT IS THE OBVIOUS INTENTION. - END COMMENT) - END UNCLASSIFIED

4. BEGIN LIMITED OFFICIAL USE - IN ADDITION TO THESE ABOVE-BOARD CONTROLS, EMBOFFS HAVE BEEN INFORMED THAT A MORE DIRECT, BUT UNOFFICIAL, RESTRICTION MAY BE APPLIED AGAINST JAPANESE IMPORTS. UNDER KOREAN TRADE LAWS AND REGULATIONS, ALL APPLICATIONS FOR IMPORT LICENSES-- INCLUDING THOSE FOR PRODUCTS WHICH ARE ELIGIBLE FOR "AUTOMATIC APPROVAL"--MUST BE ACCOMPANIED BY AN "OFFER SHEET" ISSUED BY A REGISTERED KOREAN "OFFER AGENT" OR KOREAN CONSULATE IN THE EXPORTING COUNTRY, AND CERTIFIED BY THE KOREAN TRADING AGENTS ASSOCIATION. (SEE REF D FOR DESCRIPTION OF THIS PROCEDURE.) OFFER SHEET IS A ROUTINE DOCUMENT SPECIFYING ITEM DESCRIPTION, COUNTRY OF ORIGIN, UNIT PRICE, ETC.; BUT MAY BE, AND REPORTEDLY HAS BEEN, USED BY IMPORT LICENSING AUTHORITIES AS AN IMPORT CONTROL DEVICE. ACCORDING TO OUR INFORMATION, AUTHORITIES PLAN TO MAKE USE OF OFFER SHEETS AS A VEHICLE FOR DISAPPROV- LIMITED OFFICIAL USE

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ING IMPORTS FROM JAPAN IN CERTAIN CASES (ONE SOURCE SAYS IT WILL BE APPLIED ONLY TO COMMODITIES RECENTLY PUT ON AUTOMATIC APPROVAL AS PART OF LIBERALIZATION MEASURES). SNEIDER

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